

## Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-07 CEA-01 AGRE-00 DOE-15 SOE-02 /132 W  
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R 260745Z APR 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 7394  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME

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USOECD ALSO FOR EMBASSY

E.O. 11652: NA  
TAGS: EFIN, OECD, JA  
SUBJECT: CURRENT ACCOUNT SURPLUS REDUCTION PROGRAM

REF: TOKYO 7098

FOLLOWING IS TEXT OF THREE POINT PROGRAM TO REDUCE  
JAPAN'S CURRENT ACCOUNT SURPLUS APPROVED BY MINISTERIAL  
CONFERENCE ON ECONOMIC MEASURES, APRIL 21. EMBASSY  
COMMENTS, KEYED TO NUMBERS HEREIN, FOLLOW IN SEPTTEL.

BEGIN TEXT:

IN ORDER TO RESTORE THE BALANCE IN THE INTERNATIONAL  
PAYMENTS POSITION AND IN ORDER TO COPE WITH THE RECENT  
TREND OF THE APPRECIATION OF THE YEN, MEASURES FOR THE  
OPENING OF THE MARKET AND MEASURES TO PROMOTE IMPORTS  
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HAVE BEEN TAKEN, IN ADDITION TO THE MEASURES FOR THE  
EXPANSION OF BUSINESS, CENTERING ON THE PROMOTION OF  
DOMESTIC DEMAND, TAKEN FROM BEFORE. IN THE FUTURE,  
THESE MEASURES WILL BE FURTHER PROMOTED. AT THE SAME  
TIME, THE FOLLOWING MEASURES WILL BE STUDIED AND  
IMPLEMENTED.

I. PROMOTION OF IMPOETS, ETC.

IN ORDER TO PROMOTE THE EMERGENCY IMPORT OF IMPORTANT MATERIALS, ETC., IN VIEW OF THE RECENT INTERNATIONAL PAYMENTS SITUATION, THE FOLLOWING MEASURES WILL BE TAKEN:

- 1. THE JAPAN EXPORT-IMPORT BANK'S FOREIGN CURRENCY LOAN SYSTEM FOR EMERGENCY IMPORTS WILL BE EXTENDED TO THE END OF 1978. ALSO, THE PRESENT FLOATING INTEREST RATE OF 4 PCT WILL BE LOWERED TO 3.75 PCT. ALSO, A NEW THREE-YEAR FIXED INTEREST RATE OF 4.75 PCT WILL BE ESTABLISHED. IT IS PLANNED TO OPERATE THE SYSTEM FLEXIBLY.
- 2. IN ORDER TO TACKLE EMERGENCY IMPORTS, WHICH WILL BE DIFFICULT UNLESS UNDER LONG-TERM FIXED INTEREST RATES, A NEW LONG-TERM FOREIGN CURRENCY LOAN SYSTEM WILL BE ESTABLISHED IN THE JAPAN EXPORT-IMPORT BANK. (THE GENERAL OUTLINE OF THIS SYSTEM IS AS SET FORTH IN THE ATTACHED DOCUMENT.)
- 3. IN ORDER TO SECURE A STABLE SUPPLY OF RESOURCES, THROUGH THE STOCKPILING OF USEFUL MATERIALS, UTILIZATION OF THE SYSTEM FOR EMERGENCY FOREIGN CURRENCY LOANS AND OTHER NECESSARY MEASURES WILL BE STUDIED.
- 4. OTHERS

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- (1) MEASURES TO BE TAKEN FOR THE PURCHASING OF LAND, BUILDINGS, ETC., OF DIPLOMATIC MISSIONS OVERSEAS, WILL BE TAKEN AT AN EARLY DATE.
- (2) MEASURES TO FACILITATE THE PURCHASE OF FOREIGN SHIPS IN THE CASE OF SCRAPING OBSOLETE SHIPS WILL BE STUDIED.

(ATTACHED DOCUMENT)

GENERAL OUTLINE OF THE SYSTEM FOR LONG-TERM FOREIGN CURRENCY LOANS FOR EMERGENCY IMPORTS

1. OBJECTS OF LOANS

THEY WILL BE THOSE WHICH THE COMPETENT MINISTER IN CHARGE RECOMMENDS TO THE JAPAN EXPORT-IMPORT BANK AS EMERGENCY IMPORTS, AFTER TAKING THE FOLLOWING FACTORS INTO CONSIDERATION.

- (1) THOSE WHICH ARE EMERGENCY IMPORTS WHICH WILL RESULT IN INCREASING IMPORTS DURING FISCAL 1978, AND WHICH

ARE REGARDED AS HAVING THE EFFECT OF REDUCING THE SURPLUS  
IN THE CURRENT ACCOUNT.

- (2) THOSE WHICH WILL NOT MERELY CONTRIBUTE TO  
REDUCING OUR COUNTRY'S CURRENT ACCOUNT SURPLUS, BUT THOSE  
IN WHICH THE IMPORTED MATERIALS ARE IMPORTANT FOR OUR  
NATIONAL ECONOMY.

- (3) CASES IN WHICH IMPORTS OF THE MATERIALS  
CONCERNED ARE CONSIDERED TO BE DIFFICULT UNLESS FINANCED

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FM AMEMBASSY TOKYO

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INFO AMEMBASSY BONN

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UNDER LONG-TERM FIXED INTEREST RATES IN FOREIGN CURRENCIES.

## 2. LOAN INTEREST RATE

THE RATE WILL BE 6.0 PCT, IN PRINCIPLE. HOWEVER, DEPEND-  
ING ON ITS IMPORTANCE, IN POINT OF POLICY, IT CAN BE  
LOWERED TO 5.0 PCT.

## 3. PERIOD OF LOANS

OVER THREE YEARS AND LESS THAN TEN YEARS.

## 4. PERIOD OF APPLICATION

THE PERIOD FOR APPLYING FOR LOANS WILL BE DURING THE

FIRST HALF OF FISCAL 1978.

HOWEVER, EVEN AFTER THAT, APPLICATIONS WILL BE RECEIVED  
IN CASES WHERE IT IS HELD CERTAIN THAT THE IMPORTS WILL  
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BE MADE DURING FISCAL 1978.

## II. PROMOTION OF ECONOMIC COOPERATION, ETC.

GOVERNMENT DEVELOPMENT AID WILL BE EXPANDED, AND EFFORTS  
WILL BE MADE TO EXPAND NON-REIMBURSIBLE AID, AIMING AT  
INCREASING THE GRANT ELEMENT TO 86 PCT, IN REGARD TO AID  
TERMS, AND EFFORTS WILL ALSO BE MADE FOR THE EASING OF  
LOAN TERMS.

### - 1. BILATERAL ECONOMIC COOPERATION

(1) IN ORDER TO INCREASE STEADILY THE SCALE OF  
AID, ON A MEDIUM-TERM BASIS, AID COMMITMENTS WILL BE  
PROMOTED. ALSO, THROUGH EFFORTS TO UTILIZE STILL MORE  
FULLY THE FUNCTIONS OF THE IMPLEMENTATION ORGANS, EFFORTS  
WILL BE MADE FOR THE COMPLETE DIGESTION OF THE AID BUDGET  
FOR FISCAL 1978.

- (2) WITH UNTYING AS THE BASIC PRINCIPLE, EFFORTS WILL  
BE MADE TO IMPLEMENT AID, WITH PROJECT AID AND COMMODITY  
AID, IN ACCORDANCE WITH REQUESTS OF THE OTHER SIDE.  
ESPECIALLY, UNTIED NON-REIMBURSIBLE AID TO IMPOVERISHED  
DEVELOPING COUNTRIES WILL BE EXPANDED.

### - 2. MULTILATERAL CONSULTATIONS AND MULTILATERAL ECONOMIC COOPERATION

- (1) IN ORDER TO CONTRIBUTE TO THE SETTLEMENT OF THE  
PROBLEMS OF DEBTS, WHICH IMPOVERISHED DEVELOPING NATIONS  
ARE FACING, UNTIED COMMODITY AID WILL BE OFFERED TO THEM,  
IN KEEPING WITH THE ACTUAL SITUATION IN THE RECIPIENT  
COUNTRY. ALSO, FINANCIAL COOPERATION WILL BE OFFERED AT  
THE SOFTEST TERMS AS POSSIBLE.

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- (2) OUR COUNTRY WILL RESPOND TO FINANCIAL CO-  
OPERATION TOWARD INTERNATIONAL DEVELOPMENT AND FINANCING  
ORGANS, IN A POSITIVE WAY. IT WILL ALSO INCREASE ITS  
VOLUNTARY CONTRIBUTIONS TO UN ORGANS AND TO INTERNATIONAL

RESEARCH PROJECTS, ETC.

- 3. INTERNATIONAL COMMODITY AGREEMENTS, ETC.

- (1) OUR COUNTRY WILL TACKLE, IN AS POSITIVE A WAY AS POSSIBLE, THE ESTABLISHMENT OF A NEW INTERNATIONAL GRAIN AGREEMENT.

- (2) OUR COUNTRY WILL TAKE NECESSARY MEASURES CONCERNING VOLUNTARY CONTRIBUTIONS TO THE INTERNATIONAL TIN AGREEMENT, AND AT THE CONFERENCE FOR NEGOTIATIONS FOR AN INTERNATIONAL NATURAL RUBBER AGREEMENT, OUR COUNTRY WILL GIVE COOPERATION IN A POSITIVE WAY FOR ITS EARLY CONCLUSION.

- (3) IN REGARD TO THE ESTABLISHMENT OF A COMMON FUND, OUR COUNTRY WILL TACKLE THE RESUMED SESSION OF THE NEGOTIATIONS CONFERENCE, IN COOPERATION WITH THE MAIN ADVANCED NATIONS.

### III. COMMODITY PRICE MEASURES ACCOMPANYING THE HIGH YEN

VARIOUS KINDS OF COMMODITY PRICE MEASURES ACCOMPANYING THE HIGH YEN WILL BE PROMOTED IN A POSITIVE WAY, IN ORDER TO HAVE THE DROP IN THE PRICES OF IMPORTED GOODS, DUE TO THE APPRECIATION OF THE YEN, REFLECTED ON DOMESTIC SALES PRICES.

- 1. IN REGARD TO THE RATES OF THE ELECTRIC POWER COMPANIES AND THE THREE MAJOR GAS COMPANIES, GUIDANCE WHICH HAS BEEN CARRIED OUT FROM BEFORE WILL BE STRENGTHENED, IN VIEW OF THE CONTINUING HIGH-YEN TREND, AND  
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GUIDANCE WILL BE GIVEN FOR THE PEGGING OF RATES AT THE

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PRESENT RATES, UP TO THE END OF FISCAL 1979, AS A GENERAL PRINCIPLE.

- 2. AS REGARDS FOREIGN TOBACCO, THE FIXED RETAIL SALE PRICES FOR SOME BRANDS WERE LOWERED IN NOVEMBER OF LAST YEAR. THE LOWERING OF THE FIXED RETAIL PRICES WILL BE FURTHER STUDIED, TAKING INTO ACCOUNT THE TRENDS OF THE CORPORATION'S PURCHASE COSTS, ETC.

- 3. IN REGARD TO INTERNATIONAL AIR FARES, EFFORTS WILL BE MADE IN THE FUTURE, SUCH AS TAKING SUCH MEASURES AS THE IMPOSITION OF A SURCHARGE ON FARES ORIGINATING IN THE OTHER COUNTRY, AND OF IMPLEMENTING A DISCOUNT FOR FARES ORIGINATING IN JAPAN, ON ROUTES ON WHICH THERE ARE DIFFERENTIALS DUE TO THE DIRECTION OF FLIGHTS. IF NECESSARY, THE COOPERATION OF OTHER COUNTRIES CONCERNED WILL BE SOUGHT.

- 4. AS REGARDS INTERNATIONAL TELEGRAPH AND TELEPHONE UNCLASSIFIED

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CHARGES, STUDIES WILL BE MADE ON THE EFFECTS OF CURRENCY FLUCTUATIONS ON THEM, AND THE POSSIBILITY OF REVISING OF SUCH CHARGES.

- 5. AS FOR THE LIVESTOCK INDUSTRY PROMOTION CORPORATION'S EXCHANGE DIFFERENTIAL GAINS FOR IMPORTED BEEF, EFFORTS WILL BE MADE FOR THEIR FURTHER EFFECTIVE UTILIZATION IN MEASURES WHICH ARE MORE DIRECTLY LINKED WITH THE CONSUMERS, SUCH AS NEW CHANNELS FOR SIMPLIFYING THE BEEF IMPORT AND DISTRIBUTION SYSTEM IN ORDER TO LOWER THE PRICE OF BEEF, THE PROJECT FOR THE SPECIAL SALES OF DOMESTIC-PRODUCED BEEF, AND THE CONSOLIDATION OF THE STRUCTURE OF THE MEAT CUTS CENTER.

- 6. IN REGARD TO PETROLEUM PRODUCTS, NECESSARY

REQUESTS HAVE BEEN MADE TO THE INDUSTRY CIRCLES CONCERNED, IN REGARD TO THE PRICES, ETC., OF KEROSENE FOR HOUSEHOLD USE, AND FAIRLY GOOD RESULTS HAVE BEEN PRODUCED. IN VIEW OF THE FURTHER APPRECIATION OF THE YEN RECENTLY, NECESSARY REQUESTS WILL BE MADE TO THE INDUSTRIAL CIRCLES CONCERNED AND IT IS EXPECTED THAT SPECIAL CONSIDERATION WILL BE GIVEN, ESPECIALLY AS CONCERNS NAPHTHA, SO THAT THE BENEFITS OF THE HIGH-YEN WILL BE PROPERLY REFLECTED ON THE PRICES OF PETROLEUM PRODUCTS.

-7. AS FOR MIXED FEED, PRICES HAVE ALREADY BEEN LOWERED BY 14.6 PCT, REFLECTING THE DROP IN THE COSTS OF RAW MATERIALS, INCLUDING THE EFFECTS OF THE HIGH YEN SINCE SEPTEMBER 1977. IN THE FUTURE, TOO, CAREFUL WATCH WILL BE MAINTAINED OVER THE TRENDS OF THE PRICES OF RAW MATERIALS, AND GUIDANCE WILL BE GIVEN TOWARD THE RELATED INDUSTRIAL CIRCLES, AS REQUIRED.

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- 8. A THIRD ROUND OF SURVEYS ON TRENDS OF THE PRICES OF IMPORTED PRODUCTS, CENTERING ON PRINCIPAL IMPORTED CONSUMER GOODS, WILL BE CARRIED OUT, AND INFORMATION WILL BE SUPPLIED TO THE CONSUMERS, ETC., SO THAT THE EFFECTS OF THE HIGH YEN WILL BE FURTHER REFLECTED ON RETAIL PRICES. AT THE SAME TIME, PROPER MEASURES WILL BE TAKEN TOWARD THE INDUSTRY CIRCLES CONCERNED, SUCH AS GUIDANCE, WHEN NECESSARY.

- ALSO, IN REGARD TO MAIN MATERIALS IN WHICH THE GOVERNMENT HAS CONNECTIONS, ITS WAY OF THINKING IN REGARD TO THE STATE OF THE ARISING OF EXCHANGE DIFFERENTIAL GAINS FROM THE HIGH YEN, AND THE HANDLING THEREOF, WILL BE MADE CLEAR.

- 9. STRICT SURVEILLANCE WILL BE MAINTAINED IN THE FUTURE, TOO, SO THAT PARALLEL IMPORTS OF COMMODITIES BY PERSONS OTHER THAN IMPORT AGENCIES WILL NOT BE UNJUSTLY OBSTRUCTED. END TEXT. MANSFIELD

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